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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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DEC 5 1975

The Honorable William S. Moorhead, Chairman
Subcommittee on Conservation, Energy, and
Natural Resources
Committee on Government Operations
House of Representatives

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Dear Mr. Chairman:

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In a letter dated September 12, 1974, Congressmen Henry S. Reuss, former Chairman of your Subcommittee and Guy Vander Jagt, the Ranking Minority Member, asked us to review the Environmental Protection Agency's administration of a contract with the Lear Motors Corporation for the development of a water-based working fluid turbine automobile engine (Rankine-cycle engine). At about the time we started our review, the Agency and Lear agreed to suspend development work on the engine and modify substantially the work required under the contract. Work under the modified contract was completed and accepted by the Agency in February 1975.

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In January 1975, we briefed the Subcommittee staff on the results of our review and agreed to suspend further work on this assignment. As recently agreed with the staff, this letter summarizes the results.

We reviewed pertinent contract documents and held discussions with Agency headquarters officials and technical staff members at its Motor Vehicle Emissions Laboratory in Ann Arbor, Michigan. We also held discussions with the Chairman of the Board of Lear and with officials at Lear's Reno, Nevada, facility.

In accordance with the Agency's program to develop alternative automotive power systems, they awarded in 1970 and 1971 three contracts having different conceptual approaches for work on the Rankine-cycle engine. In April 1972, in an attempt to participate in that program, Lear submitted an unsolicited proposal to the Agency

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describing a program for the development and delivery of vapor turbine engine system automobiles. On January 15, 1973, a firm fixed-price contract for \$900,000 was entered into between the Agency and Lear which required Lear to develop a water-based working fluid turbine engine. Under the terms of the contract, the amount was to be paid only after delivery to the Agency of a fully developed engine system that met the contract specifications. The contract was to be completed by November 15, 1973.

In May 1973, Lear said it would not be able to continue the work without the Agency's financial support as its development funds would soon be depleted. As a result, on August 10, 1973, the contract was modified to provide for periodic progress payments by the Agency; subsequently, \$300,220 was paid.

On November 21, 1973, the contract was further modified to extend the completion date to December 31, 1973. When it became apparent that Lear would not meet that completion date, it requested another extension. The Agency's technical staff, after deciding that very little, if any, progress had been made on the program during the 6-week extension, recommended against granting another extension of the completion date or deviation from any of the contract terms.

On January 24, 1974, the Agency notified Lear that the contract was to be terminated because of contractor default in the completion of the engine. Subsequently, Lear appealed the decision to the Agency. Pursuant to an inter-agency agreement, the appeal was forwarded to the U.S. Department of the Interior, Interior Board of Contract Appeals for disposition. The appeal was later withdrawn.

At Lear's request, in March 1974, the Agency's technical staff members visited Lear's Reno, Nevada, facility. Based on that visit, it was determined that a number of technical innovations and accomplishments resulted during the development work which could prove useful to the Agency's ongoing Rankine-cycle engine program. In accordance with the recommendations of the technical staff, on November 11, 1974, the original contract was modified and further development of the engine was suspended. Under the modification, Lear was to keep the progress payments that the Agency had paid in return for which Lear was to compile and submit a final report on the efforts it made in the

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development of the engine, documented by test data and design drawings. That report was submitted to the Agency on December 10, 1974, and a letter of acceptance was sent to Lear on February 7, 1975.

We are sending copies of this letter to Congressmen Reuss and Vander Jagt.

Sincerely yours,


DEPUTY Comptroller General
of the United States